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BUSINESS OUTLOOK

for West Michigan



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BUSINESS OUTLOOK

for West Michigan

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Employment Trends by County in Michigan

by George A. Erickcek

From 2009 to 2011, the first two years of the economic expansion, statewide employment rose by 2.1 percent, an increase of 80,000 jobs. During the period, manufacturers accounted for more than half of the state's employment gains, 41,000 jobs, growing by a healthy 9.3 percent. In fact, assuming a reasonable manufacturing employment multiplier of 1.9, manufacturers could be credited for creating, directly and indirectly, all of the jobs in the state during this beginning phase of the expansion.

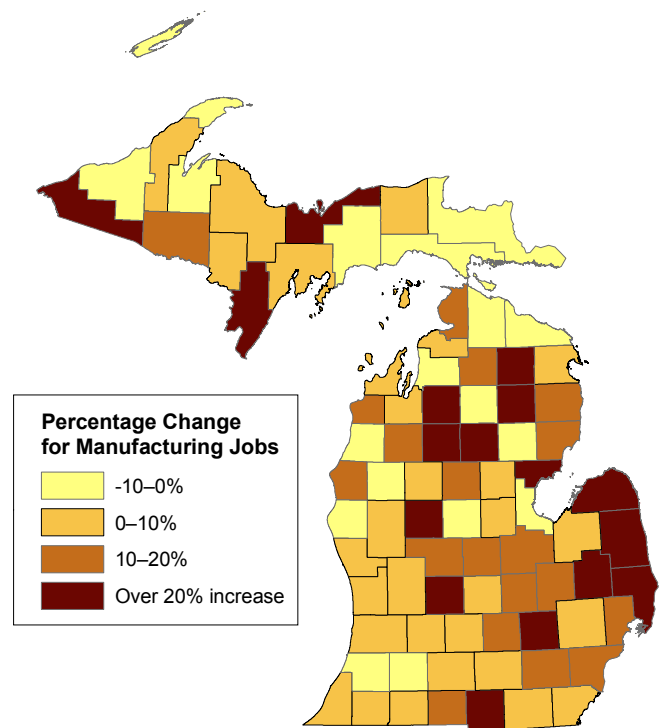
The state's employment gains were largely driven by automobile manufacturing; therefore, it is not surprising that job growth in manufacturing was not evenly distributed across the state. As shown in the accompanying maps, counties in eastern Michigan, which are auto-dominated, experienced the most robust manufacturing employment growth during the period. Macomb and Wayne counties alone accounted for 35 percent of the state's manufacturing growth during this period. The southern counties of the state, which house many auto suppliers, also enjoyed positive manufacturing employment growth, with the unfortunate exceptions of Kalamazoo and Van Buren counties.

Total employment growth was more evenly distributed across the state during the period. A belt of counties, from Ottawa and Muskegon on the west side to Macomb and Wayne on the east side, experienced good employment growth during the period. One county stands out: Ionia County, in the center of the state, enjoyed a 25 percent jump in manufacturing employment and an 11 percent increase in overall employment.

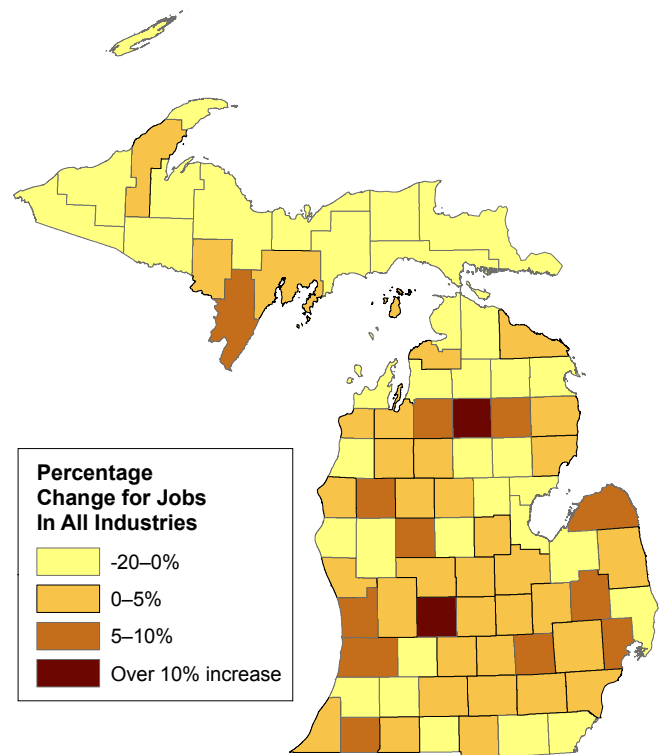
Examining the maps, one interesting pattern can be seen: growth in manufacturing employment is not as correlated with total employment as one would expect if a simple employment multiplier held true. In 40 percent of the state's counties, change in manufacturing employment went in the opposite direction from that of nonmanufacturing employment. The correlation coefficient between the absolute change in manufacturing employment and that of nonmanufacturing employment is 0.48 during the period, a positive relationship but not as close as some would believe. A correlation coefficient of 1 would indicate that the employment changes in the two sectors move totally in sync.

In short, even in an industrial state such as Michigan, where manufacturing accounts for 13.2 percent of total employment, achieving economic employment growth may not be as simple as attracting or expanding the area's manufacturing base. Economic linkages between the area's key industries play an equally important role. Economic development must address two issues: how to attract new money into the area and how to retain it as long as possible.

Map 1 Percentage of Change for Manufacturing Jobs by County



Map 2 Percentage of Change for Jobs in All Industries by County

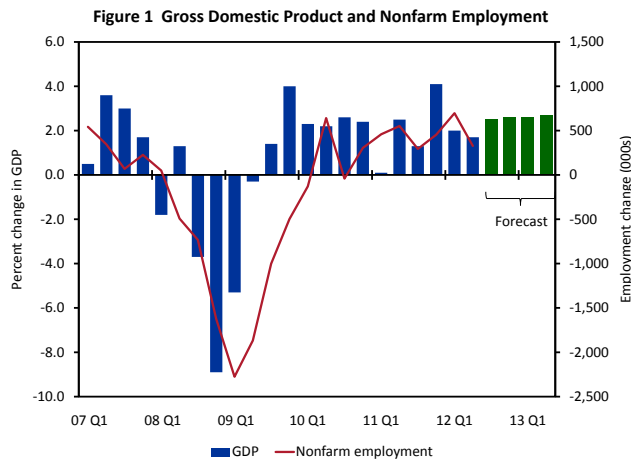


SOURCE: Maps prepared by the W.E. Upjohn Institute. Projection NAD 1983 MICEoref. Data Sources: MIGDL Center for Geographic Information and the Quarterly Census of Employment and Wages, August 2012.

The National Economy Continues to Slog through Uncertain Times

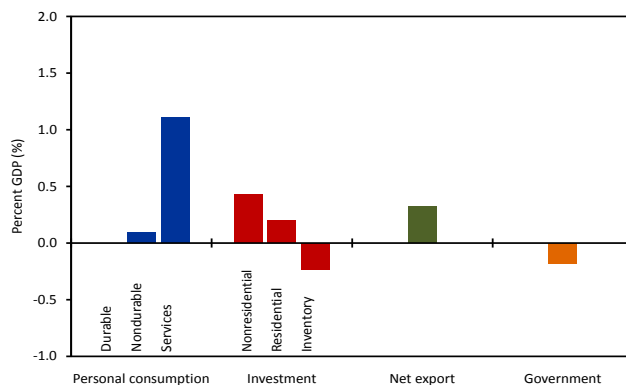
Economic growth continued to slow in the second quarter of the year.

- The nation's Gross Domestic Product (GDP) increased at only a 1.7 percent annual rate in the second quarter, which was slower than its modest 2.0 percent pace in the first quarter.
- Still, the consensus forecast of economists calls for the economy to return to a moderate 2.5 percent annualized pace in the third quarter, as well as the subsequent three quarters (Figure 1).



- In the second quarter, employment grew by only 328,000 jobs, down by more than half from the 696,000 increase in the first quarter.
- The ISM Purchasing Managers Index has remained just below 50 for two months in a row, suggesting that the manufacturing sector is slowing.

Figure 2 Major Activity Contribution to GDP Change in Current Quarter



Consumers stepped back from purchasing durable goods in the quarter (Figure 2).

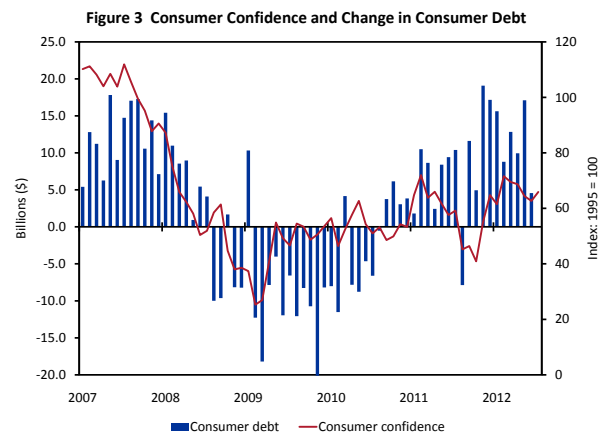
- Overall, consumer spending increased at only a 1.7 percent annualized rate in the second quarter and contributed 1.2 percentage points to the quarter's growth.
- Business investment in structures, machinery, and software were all up slightly during the quarter and

contributed 0.43 percentage points to the quarter's growth.

- Business reports suggest that some manufacturers are now holding back on investment spending and new hiring because of uncertainty caused by the approaching "fiscal cliff" in January, when there could be substantial automatic federal budget cuts and a sizable automatic increase in taxes if Congress does not act.
- Moreover, net exports and government spending were a drag on the economy during the quarter.

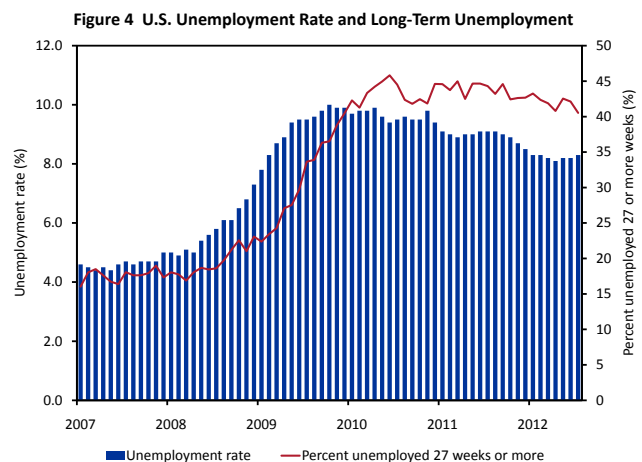
Lackluster consumer confidence contributed to consumers' mediocre performance in the second quarter (Figure 3).

- The debt levels of consumers continue to rise along with their general lack of confidence, which adds greater uncertainty about their ability to support the economy.
- Still, in July, retail sales rose 0.8 percent for the first increase in four months.



The current employment situation is also hindering consumer spending (Figure 4).

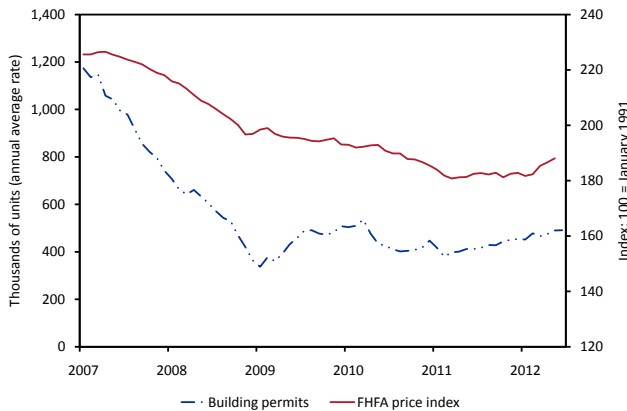
- Although 163,000 jobs were created in July, the nation's unemployment rate ticked up to 8.3 percent because of a drop of 196,000 in the number of employed workers, according to the monthly household survey.



- The percentage of unemployed workers who have been looking for work for more than six months remained above 40 percent in the second quarter.

During the second quarter, residential investment increased at an 8.9 percent annual rate. The sector has been modestly improving for five straight quarters. Encouraged by low mortgage rates—the standard 30-year, fixed-rate mortgage is well below 4.0 percent—housing demand seems to be growing (Figure 5).

Figure 5 Single-Family Building Permits and Index of Existing Home Prices

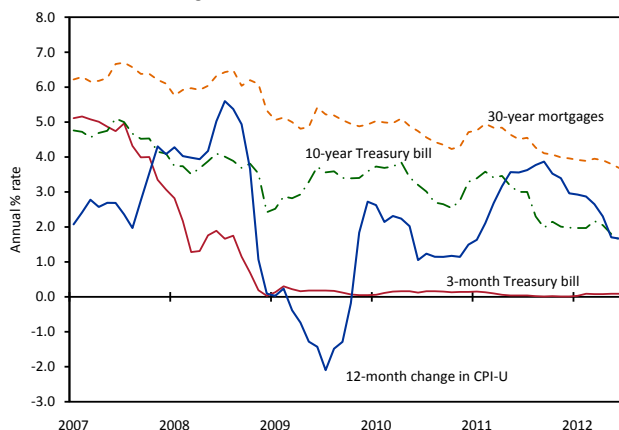


- The number of building permits for single-family houses continues to climb at a slow but consistent rate.
- Housing prices have increased by 3.7 percent during the 12-month period ending in May.
- Reportedly, inventories of homes for sale have dropped to their lowest levels in eight years.
- RealtyTrac reported that in July, the number of foreclosure filings decreased by 3.0 percent from the previous month and has dropped by 10 percent from July 2011.

With consumer prices remaining quiet, the Federal Reserve (the Fed) is maintaining its easy money policies and keeping interest rates at historic lows (Figure 6).

- The consumer price index has risen by 1.4 percent during the past 12 months.

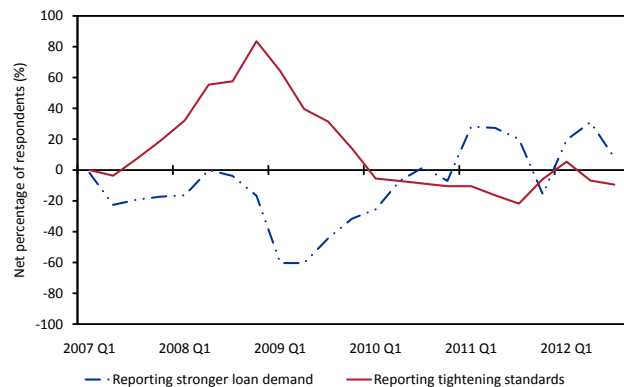
Figure 6 Interest Rates and Inflation



- Three-month Treasuries are selling at next to nothing, 0.09 percent, and 10-year Treasuries are selling at a low 1.6 percent.
- The Fed, in its recent announcement, said that it is not taking any further action to stimulate the economy at this time.

Unfortunately, loan activity slowed during the second quarter, despite low interest rates. Senior loan officers surveyed by the Federal Reserve reported a decrease in loan demand from the previous quarter. Nevertheless, loan standards lessened slightly during the quarter (Figure 7).

Figure 7 Federal Reserve Senior Loan Officers Survey: Demand and Lending Standards for Commercial and Industrial Loans by Medium-to-Large Firms

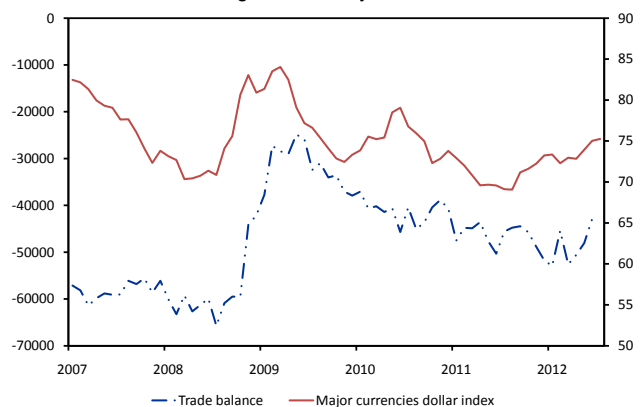


The nation's export markets improved during the quarter despite a slowing world economy. The combined GDP of the 27-member European Union inched down by 0.2 percent in the second quarter. This follows a modest 0.1 percent increase during the first quarter (Figure 8).

- In the second quarter, the U.S. exports rose at a 6.0 percent annual rate, while imports grew at a smaller 2.9 percent rate.
- The value of the dollar is holding steady against other major currencies.

In summary, the national economy continues to plod along at a pace that is near the estimated increase in overall productivity, meaning that the nation's labor markets may remain soft in the near term.

Figure 8 U.S. Trade Balance and Nominal Index of the Value of the Dollar against Seven Major Currencies



REGIONAL INDUSTRY OUTLOOK

Economic conditions in the Great Lakes region continue to improve, but at a slightly slower pace than a couple of months ago, according to the businesses contacted by the Chicago Federal Reserve in the preparation of its most recent *Beige Book*, released in July.

The auto industry remained strong; however, economic activity in the region's other industrial clusters became more moderate. Steel production slowed while other metal manufacturers reported stable sales volumes. Slowing demand in both Europe and China has hindered export sales.

Overall business spending remained steady in June. Many of the contacted manufacturers reported purchasing new machinery, even though they also revealed a growing level of uncertainty about the direction of the economy. Contacted staffing firms reported a slowdown in job orders from manufacturers.

As was the case across the nation, the region's retailers detected a lack in confidence among their customers, although the demand for luxury goods held strong—as did, to no one's surprise, climate control devices such as air conditioners and fans. Regional car sales were powered by fleet sales.

Finally, residential construction continued to improve, and commercial builders who were contacted noted a pickup in the construction of warehouses, hotels, and offices. Still,

sales in commercial real estate remain soft, and vacancy rates are higher than normal.

The Chicago Fed Midwest Manufacturing Index (CFMMI), which tracks four major manufacturing clusters in the Midwest, increased by 1.1 percent in June. On a year-over-year basis, the index rose by 11 percent, surpassing the increase in the national index of 5.6 percent. As shown on the accompanying chart, machinery production increased by 12.2 percent during the past year, and steel was up 11.0 percent. The auto production index for the Midwest jumped by nearly 22 percent from a year ago, while the resources sector (which includes the food, wood, paper, chemicals, and nonmetallic mineral subsectors) increased by only 2.1 percent. All of the region's indexes surpassed their national counterparts.

Chicago Fed Manufacturing Index

Industry	% change, June to June	
	Midwest	U.S.
Regional overall	11.0	5.6
Machinery	12.2	7.3
Steel	11.0	6.4
Auto	21.9	15.2
Resource sector ^a	2.1	1.3

^aIncludes food, wood, chemicals, paper, and nonmetallic substances.

SOURCE: Chicago Fed Midwest Manufacturing Index (CFMMI).

OFFICE FURNITURE INDUSTRY UPDATE

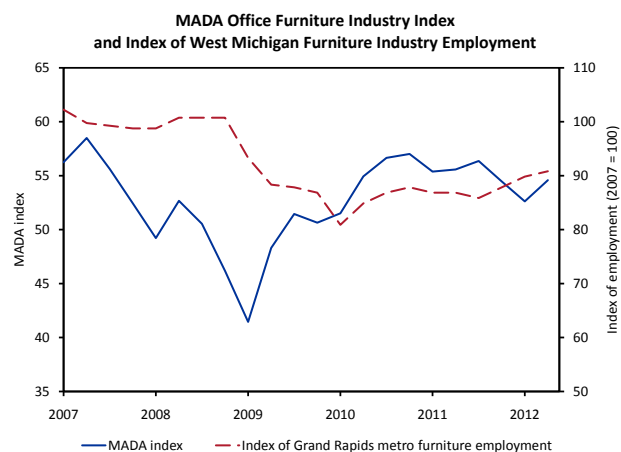
Industry Employment Stabilizing

The Business and Institutional Furniture Manufacturer's Association (BIFMA) has revised upward its office furniture production forecast for 2012 and 2013. Previously, the trade association had predicted that production would fall by 2.0 percent in 2012. Now it is forecasting that office furniture production will increase by 3.4 percent this year and by another 6.7 percent in 2013.

The revised national forecast is in line with both the increase in office furniture employment in the Grand Rapids–Wyoming MSA and the recently released Michael A. Dunlap and Associates (MADA) Office Furniture Index. In the Grand Rapids area, office furniture manufacturers have added nearly 70 workers during the second quarter. For the four quarters ending in June, the industry has added 260 workers. Still, industry employment levels are 10 percent lower than they were in 2007.

The MADA index rose by 3.7 percent during the second quarter after trending downward for the previous two quarters. In July the index stood at 54.6, compared to 52.6 in April. While the index remains below its highest-ever

reading of 59.7, it is well above the 50 mark, indicating that the industry is still expanding. A breakdown of the components of the overall index shows that gross shipments, order backlogs, and employment are all strong. However, capital expenditures, new product development, and the personal outlook of the industry's representatives dipped during the quarter. This is in line with other reports that suggest that manufacturers in general feel uncertain about the future and could be holding back on investment spending.



AUTO INDUSTRY UPDATE

Sales Have Stabilized, but the Detroit Three's Share Is Slipping

Car and light truck sales increased at a 14.0-million-unit pace in June, which was slightly down from the 14.1-million-unit pace for the first half of the year. According to *Ward's AutoInfoBank*, total U.S. car and light truck sales rose 14 percent during the first seven months of this year compared to the same period last year. Sales for the Detroit Three grew by only 9.0 percent during the period, as the U.S. carmakers saw their market share shrink from 46.9 percent to 44.8 percent. Asian car manufacturers' sales increased by 18.6 percent, and U.S. sales for Toyota alone grew by 28.3 percent during the period. The Asian companies' share of the U.S. market now stands at 46.0 percent, surpassing that of the Detroit Three. European car companies, led by Volkswagen, are showing gains as well, as sales this year have increased by 17.7 percent above last year's level. Their share of the domestic market climbed from 8.8 percent last year to 9.1 percent this year.

Prices Are Up Slightly

During the first quarter, car prices rose by 1.2 percent relative to median family income, according to Comerica Bank's Affordability Index. It took 23.2 weeks' worth of the median family income to purchase and finance the average-priced new vehicle. Still, auto prices remain historically low, and most analysts believe that the slight uptick in prices will not be the determining factor affecting future sales. Consumer confidence is a more important factor, and, again, it is rather flat.

Foreign Investment Is on the Rise

Reports suggest that foreign automakers are turning more and more to manufacturing their products in North America, which should generate more business opportunities for west Michigan parts suppliers. It will also boost North American auto production volumes.

WardsAuto forecasts that by 2013, 80 percent of Nissan North America's vehicles will be produced domestically, up from 71 percent this year. For example, the Nissan Murano is expected to be produced at the company's Smyrna, Tennessee, plant in 2014. Honda is reported to be adding capacity at its Greensburg, Indiana, plant for both the Civic and the CR-V. The automaker is reported to be planning to increase capacity at the plant by 50,000 units in 2013. Honda may expand the capacity of its Alliston, Ontario, plant as well. Again according to *WardsAuto*, North American production should account for "well over 90 percent" of Honda's North American sales. Finally, Toyota will begin producing all of its

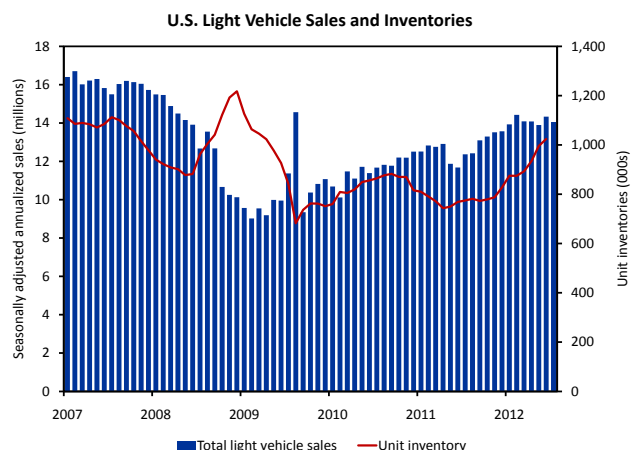
Highlander SUVs at its Princeton, Indiana, plant in 2013. In addition, Toyota is adding capacity at its Canadian plant for the production of its Lexus RX luxury crossover utility vehicles, or CUVs.

Great Year in the Showrooms

This has been a great year for auto dealerships. According to Urban Science, a retail consulting firm, the combination of an expected 14.3-million-unit sales year and a reduction in the number of dealerships is setting the stage for dealerships to, on average, sell 805 units this year. This would be an all-time high; the previous record, 784 units, was set in 2005 when sales reached 17 million and there were more than 21,500 dealerships. Currently there are 17,770 dealerships nationwide. At the depth of the recession, average sales dipped to 564 units.

Forecast Remains Positive

In June, the University of Michigan Research Seminar in Quantitative Economics (RSQE) again upwardly adjusted its forecast for sales of autos and light trucks for the year. The RSQE is now forecasting sales to reach 14.4 million this year and 15 million in 2013. *WardsAuto* is forecasting that car and light truck production in North America, including Mexico and Canada, will hit 15.3 million units in 2012 and 15.3 million in 2013.



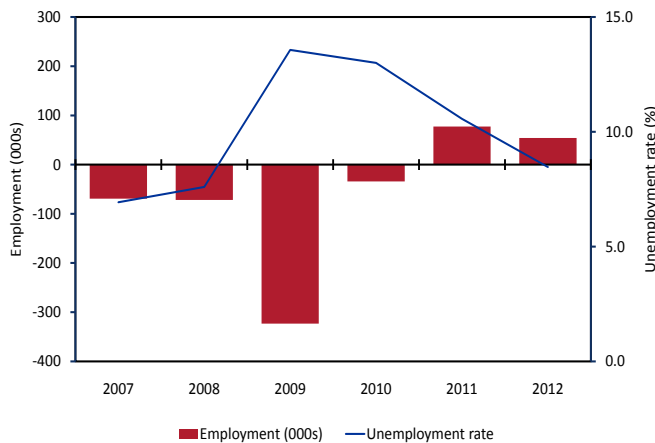
STATE OF MICHIGAN ECONOMY

Employment Growth Slipped into Neutral during the Second Quarter

Employment statewide remained unchanged during the second quarter. The state's auto-driven manufacturing sector slipped into neutral during the quarter and the state economy stalled. Still, the state's overall unemployment fell to 8.5 percent during the quarter, which is a vast improvement over last year's 10.6 percent. Unfortunately, the state's economic indicators were mixed for the quarter, and this reading suggests that employment conditions may remain lackluster during the coming months.

Employment in the state's goods-producing sector declined by 0.9 percent during the quarter, a loss of nearly 6,000 jobs. Still, for the year employment is up 2.5 percent, a gain of 15,600 jobs. The state's manufacturers trimmed their payrolls by 0.2 percent in the quarter, a loss of 1,100 jobs, but for the year factory employment has increased by more than 21,000 jobs, a 4.3 percent increase. The auto industry accounts for approximately two-thirds of the year's increase in manufacturing employment in the state. From July to July, auto employment, including assembly and parts production, increased by 13,000 jobs.

Michigan Employment Change and Unemployment Rate
(2nd quarter to 2nd quarter, seasonally adjusted)

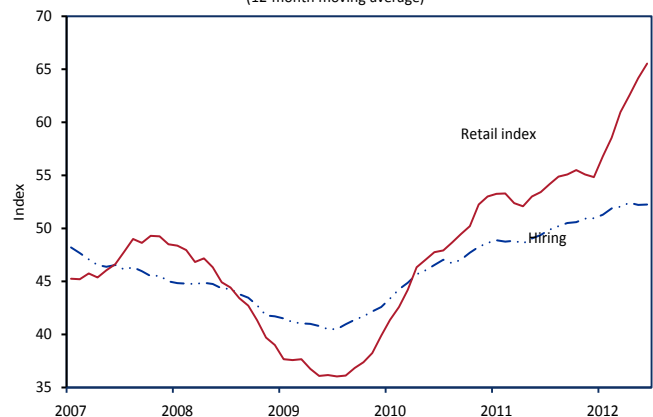


In the state's private service-providing sector, employment rose by 0.4 percent, a gain of more than 10,000 jobs. Employment gains of 2,000 or more were reported in the state's financial sector, professional and business services sector, education and health services sector, and leisure and hospitality sector.

Employment in the state's retail sector inched down 0.1 percent in the quarter and has declined by 1.4 percent, or 6,500 jobs, during the past year. These trends continue to run counter to the findings of the monthly survey of retailers conducted by the Chicago Federal Reserve Bank for the Michigan Retailers Association. According to surveyed retailers, sales activity has been brisk and hiring has been on an upward trend since

the middle of 2010. It is difficult to reconcile these opposing trends in the state's retail industry. However, the steady growth in the state's personal income could support a stronger retail sector than is suggested by Michigan's negative employment trends. During the past year personal income has grown by 2.9 percent in the state.

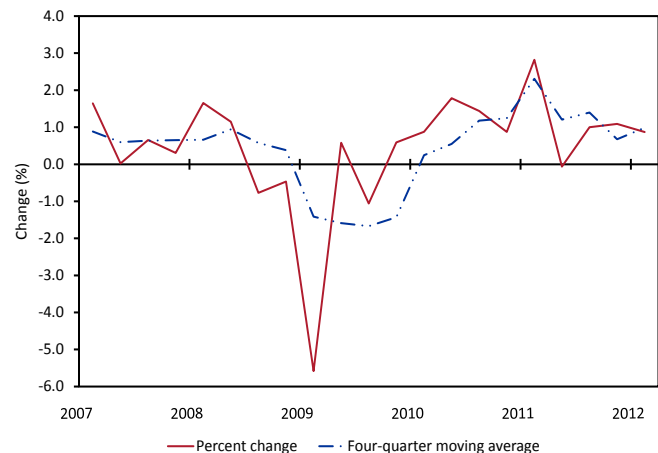
Retail Activity in Michigan
(12-month moving average)



NOTE: Index = percentage reporting an increase in sales + [0.5 x (% reporting no change)].

Moreover, an EPIC-MRA poll released to the Detroit Free Press indicates that Michiganders hold a positive attitude regarding the state's economy. Of the surveyed residents, one-third said that their personal financial situation was good, compared to only 15 percent who revealed a negative outlook. More than 50 percent agreed that the state's economy was recovering, as opposed to only 17 percent who feared that the state economy could turn negative in the near future.

Michigan Personal Income Growth



Government employment in the state dipped by 0.6 percent during the quarter and has dropped by 1.7 percent during the last four quarters. Over the past year, 80 percent of the

Michigan Statistics (seasonally adjusted)

Measure	2012 Q2	2012 Q1	% change, Q1 to Q2	2011 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	3,982,670	3,981,910	0.0	3,932,230	1.3
Goods-producing	651,230	657,110	-0.9	635,600	2.5
Natural resources and mining	7,400	7,300	1.4	7,330	1.0
Construction	119,030	123,870	-3.9	124,900	-4.7
Manufacturing	524,800	525,940	-0.2	503,370	4.3
Durable goods	392,900	393,870	-0.2	374,670	4.9
Nondurable goods	131,900	132,070	-0.1	128,700	2.5
Private service-providing	2,722,240	2,711,730	0.4	2,676,960	1.7
Trade, transportation, and utilities	721,140	722,070	-0.1	721,270	0.0
Transportation and utilities	119,800	120,370	-0.5	117,270	2.2
Wholesale trade	159,370	159,330	0.0	155,530	2.5
Retail trade	441,970	442,370	-0.1	448,470	-1.4
Information	53,130	52,900	0.4	52,630	1.0
Financial activities	198,400	195,630	1.4	191,730	3.5
Professional and business services	572,970	567,330	1.0	552,800	3.6
Educational and health services	630,670	627,270	0.5	616,500	2.3
Leisure and hospitality	379,900	377,900	0.5	376,000	1.0
Other services	166,030	168,630	-1.5	166,030	0.0
Government	609,200	613,070	-0.6	619,670	-1.7
Unemployment					
Number unemployed	395,550	407,720	-3.0	493,060	-19.8
Unemployment rate (%)	8.5	8.8		10.6	
State indexes (1996 = 100)					
Local components					
UI initial claims	14,667	14,216	3.2	17,949	-18.3
New dwelling units ^a	10,186	10,174	0.1	7,489	36.0

NOTE: Employment numbers for durable and nondurable goods, transportation and utilities, wholesale trade, and retail trade are seasonally adjusted by the W.E. Upjohn Institute. Other numbers are seasonally adjusted by the Bureau of Labor Statistics. Categories may not sum to total because of rounding.

^a Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and on employment data from the Michigan Department of Energy, Labor, and Economic Growth.

government employment losses in the state occurred in elementary and secondary school districts.

Finally, the Center for Automotive Research (CAR) released its analysis on the potential impact of constructing a second bridge connecting metro Detroit to Canada. In addition to the thousands of construction jobs that would be created during erection of the bridge, scheduled to take four years, CAR estimates that more than 9,000 permanent jobs would be created in the state. New business investment could generate, directly and indirectly, 6,800 jobs, while the ongoing operation of the new international crossing would generate another 1,400 jobs.

Statewide economic indicators were mixed during the quarter, suggesting that employment growth may remain sluggish in the coming months. The number of new claims

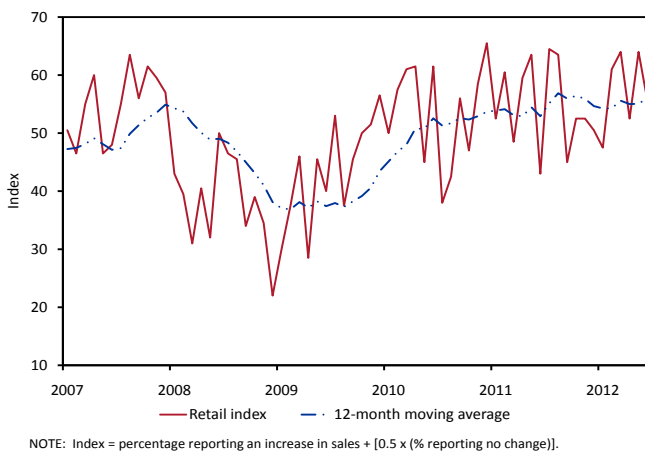
for unemployment insurance increased by a modest 3.2 percent, while the number of new dwelling units put under contract for construction inched up 0.1 percent. On the other hand, Comerica Bank's Michigan Economic Activity Index increased by 2.0 points in June and now is 77 percent higher than it was at the index's cyclical low. For the first five months of the year, the index is 11 points above last year's level.

WEST MICHIGAN ECONOMY

The Region Runs into a Roadblock

Total employment in the six metropolitan areas of west Michigan fell by 0.4 percent during the second quarter of the year; a loss of 3,000 jobs. Still, the region's total employment is nearly 2.0 percent higher than it was during the same quarter of last year, an increase of nearly 15,000 jobs. The region's goods-producing sector is still adding jobs; however, these modest job gains were more than offset by losses in its private service-providing sector and its government sector. The region's overall unemployment rate stood at 7.5 percent during the quarter, which is below that of the nation. The quarter's readings of the region's economic indicators were positive, suggesting that employment conditions should improve in the fall.

Retail Activity in West Michigan



Employment in the region's goods-producing sector grew by a modest 0.3 percent during the period, even though the region's manufacturers added 1,000 jobs, a 0.7 percent increase. Although there are several major construction projects in the region and housing starts grew by more than 25 percent during the quarter, employment in the construction sector was still down by 1.8 percent.

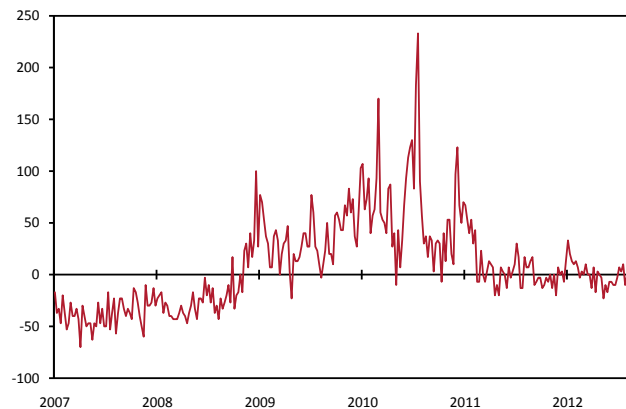
The slow sales of electric vehicles (EVs) and plug-in hybrids have had a negative impact on the region's economy. During the first six months, only 17,000 EVs and plug-in hybrids were purchased nationwide. As a result, the advanced battery companies in west Michigan are struggling. Fortu PowerCell, a German company, is postponing the construction of its proposed plant in Muskegon. In addition, the Korean LG Chem Michigan plant located in Holland has delayed production of its lithium-ion batteries. Although Johnson Controls continues to make lithium-ion battery assemblies, employing between 75 and 100 workers, its production schedule has been negatively affected by the bankruptcy of one of its major customers, Azure Dynamics Corporation. Still, Johnson Controls is scheduled to supply batteries to Daimler, the German auto company, for its new hybrid vehicle. Industry reports suggest that the long-term future for battery-powered vehicles is still promising and that the production plants in west Michigan may still bear fruit;

however, the fertilization process may be longer than was at first believed.

Speaking of fruit, the spring's extreme weather patterns, an unseasonably warm March followed by severe frost in late April, nearly wiped out the region's entire fruit crop. As much as 95 percent of the region's apple crop may have been destroyed. Michigan is the third largest apple producer in the nation, and in west Michigan 950 total growers account for nearly 70 percent of the state's crop. The region's cherries and peaches were equally damaged. In terms of employment it is the migrant farm workers who will be the hardest hit during the almost nonexistent harvest season. According to the U.S. Department of Agriculture, the losses in the production of apples, sweet and tart cherries, blueberries, asparagus, peaches, and juice grapes could reach \$223.5 million, or roughly 60 percent of the average annual value of these seven commodities.

Employment in the region's private service-providing sector fell by 0.6 percent during the quarter, although it is still up by a full 2.0 percent from the same quarter last year. Employment losses were concentrated in its leisure and hospitality sector, which lost more than 2,500 jobs, a 3.4 percent drop. Part of the employment decline could be because of the short ski season caused by the unusually warm March. The other private services sectors were more stable: the region's logistic sector—made up of two parts, 1) transportation and wholesale and 2) professional and business services—experienced slight losses, while employment in the region's education and health services sector grew by 0.4 percent.

Relative Percent Change in Interest in the Google Search Topic "Welfare and Unemployment" in West Michigan



Employment growth in retail was stagnant for the quarter, recording a small 0.1 percent increase. This is in accordance with the findings of the latest survey of the region's retailers conducted by the Federal Reserve Bank of Chicago in cooperation with the Michigan Retailers Association. As shown in the accompanying chart representing the survey's results, retail activity has plateaued during the past year.

Government employment in the region fell by 0.6 percent, a loss of more than 600 jobs, as many of the region's school

West Michigan (6 MSAs) Statistics (seasonally adjusted)

Measure	2012 Q2	2012 Q1	% change, Q1 to Q2	2011 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	797,340	800,400	-0.4	782,780	1.9
Goods-producing	171,040	170,510	0.3	166,700	2.6
Construction and mining	25,720	26,200	-1.8	26,180	-1.8
Manufacturing	145,320	144,310	0.7	140,520	3.4
Private service-providing	527,520	530,470	-0.6	517,180	2.0
Trade, transportation, and utilities	139,620	140,120	-0.4	139,480	0.1
Retail trade	84,460	84,370	0.1	83,910	0.7
Information (5 MSAs) ^a	7,800	7,800	0.0	7,850	-0.6
Financial activities	36,220	36,180	0.1	35,590	1.8
Professional and business services	105,770	106,110	-0.3	100,520	5.2
Educational and health services	131,330	130,860	0.4	127,090	3.3
Leisure and hospitality	70,450	72,960	-3.4	71,040	-0.8
Other services	36,330	36,440	-0.3	35,610	2.0
Government	98,780	99,420	-0.6	98,900	-0.1
Unemployment					
Number unemployed	67,490	72,320	-6.7	84,960	-20.6
Unemployment rate (%)	7.5	8.0		9.5	
Local indexes					
UI initial claims	1,896	1,930	-1.8	2,308	-17.9
New dwelling units ^b	2,087	1,667	25.2	1,558	34.0

NOTE: Categories may not sum to total because of rounding.

^a Information employment data are not available for Battle Creek MSA.

^b Seasonally adjusted annual rates. Van Buren County is not included.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and on employment data from the Michigan Department of Energy, Labor, and Economic Growth.

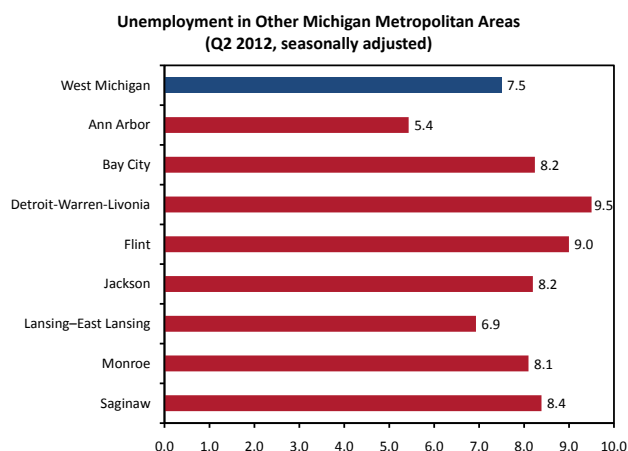
districts were forced to lay off teachers because of their uncertain budget situation. In addition, several districts are outsourcing nonteaching functions such as bus service and janitorial duties.

The region's economic indicators were positive during the quarter. The number of new claims for unemployment insurance inched down 1.8 percent, which is in line with the Manpower Employment Outlook Survey finding that employers expected to hire more workers in the third quarter. Of those surveyed, 22 percent reported plans to hire, while only 4.0 percent predicted that they were going to reduce their staffing levels. However, the expectations of those surveyed employers are slightly down from a year ago. The number of new dwelling units put under contract for construction rose by 25 percent, although the number remains quite low.

Finally, the latest readings of Google Insights indicate that the level of search activity on topics related to unemployment and welfare benefits has remained stable relative to overall search activity in west Michigan.

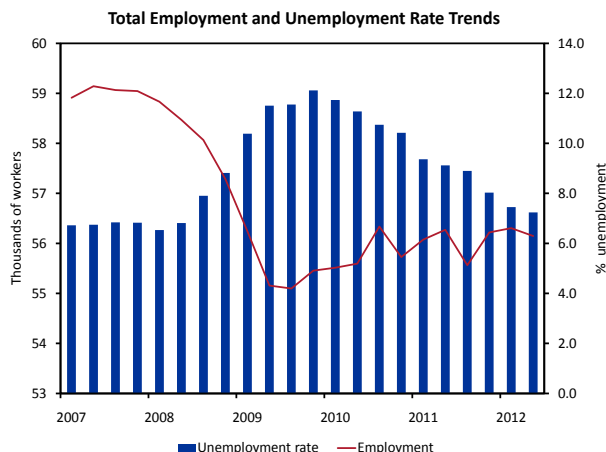
Although the metro areas on the east side of the state have experienced healthy job growth because of the rebound in

the automotive industry, their unemployment rates remain above the average rate for west Michigan, with the sole exception of Ann Arbor.



Layoffs in Services Push Region into Negative Territory

Total employment in Calhoun County fell 0.4 percent during the second quarter, a loss of 250 jobs. Employment declines were reported across all of the major sectors of the area's economy except for, surprisingly, its government sector. Despite the loss of employment, the area's unemployment rate slipped down to 7.2 percent during the quarter. The number of unemployed persons has dropped by more than 20 percent during the past four quarters. Unfortunately, the area's economic indicators were mixed, which suggests that employment conditions may remain sluggish during the fall.



Employment has not yet recovered from the 2008 recession. During the recession, area employers cut 4,500 jobs. Since July of 2009, when the local economy hit bottom, area employers have added only 900 jobs. Remarkably, the unemployment situation has improved since the depths of the recession, despite the area's lackluster employment growth. The area's unemployment rate has dropped from 12.1 in the fourth quarter of 2009 to 7.2 percent in the current quarter. The number of unemployed persons fell by 3,300 during the period. The fact that the drop in the number of unemployed workers is 2,200 greater than the number of jobs generated by area employers can be explained either by the county's unemployed residents finding employment opportunities outside the county or by the area's unemployed workers simply giving up their search for work.

Although the overall economy has not recovered from the recession, several of the area's major business sectors have. Employment levels in both the area's private education and health care sector and its government sector are 4.0 percent higher than their prerecession employment levels. Employment in the area's professional and business services sector was on track to achieve a full recovery until the summer of 2011, when it regressed. Employment in the area's manufacturing sector has been steadily improving; however, it is still 13 percent below its 2007 levels.

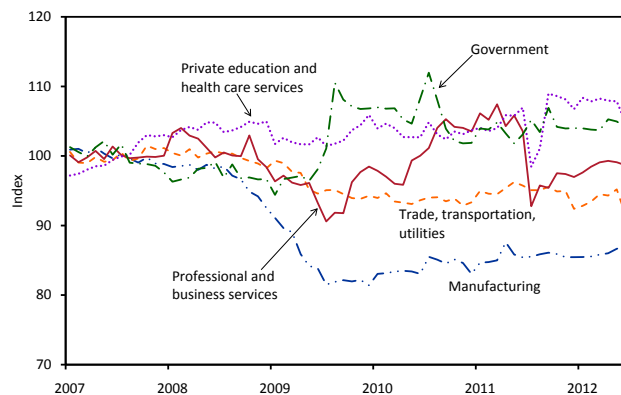
During the second quarter, employment in the area's goods-producing sector fell by 0.7 percent, a loss of nearly 100 jobs. Despite the ongoing construction of the new hotel at the Firekeepers Casino and a light uptick in the number of

housing starts, employment in construction and mining fell by 9.1 percent during the quarter.

On the other hand, the area's manufacturers continue to add jobs. Manufacturing employment grew by 0.8 percent during the quarter, and many of the area's manufacturers, including Denso Michigan Manufacturing, Musashi Auto Parts, ASMO Manufacturing, Johnson Controls, and the Tokai Rika Group are reportedly hiring. In fact, Musashi Auto Parts plans to hire up to 70 workers upon completion of its new 40,000-square-foot facility. In addition, Janesville Acoustics, an auto acoustical products provider in Southfield, announced that it is moving one of its production operations to an existing building in Battle Creek's Fort Custer Industrial Park, which will result in 225 jobs for the area.

The inability of area manufacturers to find the workers they need has caused 20 of them to form the Battle Creek Advanced Manufacturing Consortium to collectively address the issue. The employers claim that current applicants have neither the required "soft skills" such as time management and communication nor the job-specific skills.

Five-Year Employment Trend for Select Industries, Indexed to 2007 Average



Employment in the area's private service-providing sectors was also down 0.7 percent during the quarter, a loss of 250 jobs. Major employment reductions were reported in the area's education and health services sector and its leisure and hospitality sector, both of which lost more than 100 jobs. Retailers also trimmed their workforce.

Surprisingly, government employment grew by 0.9 percent during the quarter. The increase could be due to employment gains at Firekeepers Casino; however, it will not be until the fall opening of its 242-room upscale hotel that the casino hires approximately 320 additional workers.

The area's economic indicators were mixed during the quarter. The number of initial claims for unemployment insurance inched up a scant 1.2 percent, suggesting that general employment conditions will remain stagnant. At the same time, the number of new dwelling units put under contract for construction rose by nearly 5.0 percent.

Battle Creek MSA
(seasonally adjusted)

Measure	2012 Q2	2012 Q1	% change, Q1 to Q2	2011 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	55,720	55,970	-0.4	56,040	-0.6
Goods-producing	12,410	12,500	-0.7	12,340	0.6
Construction and mining	1,690	1,860	-9.1	1,650	2.4
Manufacturing	10,720	10,640	0.8	10,690	0.3
Durable goods	7,480	7,430	0.7	7,480	0.0
Nondurable goods	3,240	3,210	0.9	3,210	0.9
Private service-providing ^a	33,110	33,360	-0.7	33,700	-1.8
Trade, transportation, and utilities	8,960	8,950	0.1	9,160	-2.2
Retail trade	5,740	5,800	-1.0	5,880	-2.4
Financial activities	1,390	1,410	-1.4	1,390	0.0
Professional and business services	5,940	5,900	0.7	6,270	-5.3
Educational and health services	10,100	10,220	-1.2	10,030	0.7
Leisure and hospitality	4,500	4,610	-2.4	4,560	-1.3
Other services	2,220	2,270	-2.2	2,290	-3.1
Government	10,200	10,110	0.9	10,000	2.0
Unemployment					
Number unemployed	4,660	4,790	-2.7	5,910	-21.2
Unemployment rate (%)	7.2	7.5		9.1	
Local indexes					
UI initial claims	175	173	1.2	301	-41.9
New dwelling units ^b	22	21	4.8	15	46.7

NOTE: Categories may not sum to total because of rounding.

^a Data for information services is included in the "other services" sector.

^b Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and on employment data from the Michigan Department of Energy, Labor, and Economic Growth.

Battle Creek MSA
Industry Employment Change by Place of Work, Fourth Quarter to Fourth Quarter
(not seasonally adjusted)

Industry	2011 Q4	2010 Q4	Percent change	Industry	2011 Q4	2010 Q4	Percent change
Goods-producing				Ambulatory health care services	3,000	2,910	3.1
Food manufacturing	2,280	2,380	-4.2	Arts, entertainment, and recreation	570	630	-9.5
Fabricated metal products mfg.	1,870	1,720	8.7	Accommodation and food services	3,950	3,840	2.9
Transportation equipment mfg.	4,080	3,590	13.6	Food services and drinking places	3,630	3,530	2.8
Private service-providing				Government			
Professional and technical services	2,390	2,290	4.4	Federal Government	2,880	2,950	-2.4
Administrative and support services	2,400	2,790	-14.0	State Government	430	410	4.9
Educational services	1,370	1,410	-2.8	Local Government	6,920	6,990	-1.0
Health care and social assistance	8,360	8,030	4.1				

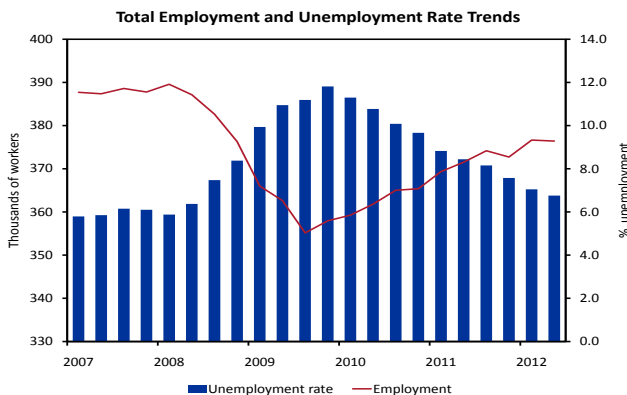
SOURCE: Michigan Department of Energy, Labor, and Economic Growth, QCEW/ES-202 data.

GRAND RAPIDS–WYOMING MSA

Area Unemployment Rate Declines Despite Stagnant Employment Conditions

Employment slipped a modest 0.1 percent during the second quarter of the year. For the past four quarters employment in the four-county MSA has increased by 1.3 percent, a gain of nearly 5,000 jobs. During the quarter, employment gains in the area's goods-producing sector were erased by losses in both its private service-providing sector and government. Despite the modest loss in employment, the area's unemployment rate dipped to 6.8 percent, well below the national rate. The area's economic indicators were mixed during the quarter, which suggests that employment conditions may remain sluggish in the coming months.

Even though employment slipped during the current quarter, the Grand Rapids area has rebounded from the depths it reached during the recession. Since the third quarter of 2009, employment in the four-county area has increased by 21,000 jobs, and the area's unemployment rate has been nearly cut in half, from 11.2 percent to 6.6 percent.



The area's private education and health care services and its professional and business services sectors have fully recovered from the recession. Employment in professional and business services is 9.0 percent above prerecessionary levels, while employment in private education and health services is 14 percent above prerecessionary levels. The area's rebounding manufacturing sector still has a long way to go, however. Area manufacturers lost 15,000 workers in the downturn and have added only 8,000 jobs during the expansion; current employment stands at 90 percent of its 2007 level.

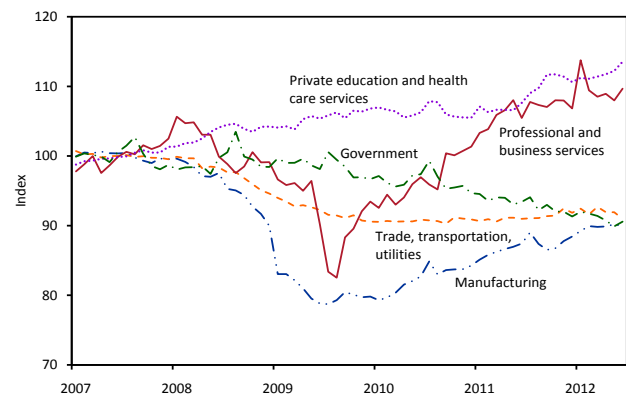
During the second quarter, employment in the area's goods-producing sector grew by 0.8 percent, a gain of 600 jobs, due to increased hiring in both construction and manufacturing. Employment in construction rose by 3.0 percent during the quarter, an increase of 350 jobs, and was supported by a 12.3 percent increase in new housing starts.

Manufacturing employment rose by a moderate 0.4 percent; however, recent announcements suggest that further employment gains in the sector can be expected in the coming months. Plasan Carbon Composites, an auto supplier, plans to hire 200 workers in the coming year. The company makes hoods, roofs, and fenders. Altronics Energy, a manufacturer of wind turbines, is planning to create 90 new jobs over the

next three years. In addition, Amway announced plans to add 200 new jobs over the next three years because of the construction of a new manufacturing facility for its Nutrilite brand. Center Manufacturing, which builds components for Honda Power Sports, announced that it plans to hire 100 new workers in the next two years. Finally, Huntington Foam, a custom foam shape molder in Greenville, is expanding its operations and adding 30 new jobs.

Employment in the area's private service-providing sectors inched down 0.1 percent during the quarter. Substantial employment reductions were reported among the areas' retailers and professional and business services. At the same time, employers in the area's education and health services sector and its leisure and hospitality sector added more than 1,000 jobs combined.

Five-Year Employment Trend for Select Industries, Indexed to 2007 Average



MedDirect, a Grand Rapids-based patient customer service and patient pay accounts receivable management company, announced that it is opening a new facility and will create up to 300 new jobs over the next three years. Finally, Arctic Ax US, a medical lab that specializes in the study of macular degeneration, an eye disease, announced that it is building a new lab that will generate 28 jobs over the next three years. Employment in the area's government sector fell by 1.4 percent, a loss of nearly 500 jobs.

The area's economic indicators turned south during the quarter. The number of new claims for unemployment insurance rose by nearly 5.2 percent, while the number of new dwelling units put under contract for construction increased by 12.3 percent. Although recent business announcements are promising, the indicators suggest that employment growth may remain lackluster in the coming months.

Grand Rapids–Wyoming MSA
(seasonally adjusted)

Measure	2012 Q2	2012 Q1	% change, Q1 to Q2	2011 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	376,210	376,430	−0.1	371,260	1.3
Goods-producing	76,130	75,530	0.8	74,990	1.5
Construction and mining	12,010	11,660	3.0	13,000	−7.6
Manufacturing	64,120	63,870	0.4	61,990	3.4
Durable goods	42,290	42,070	0.5	40,520	4.4
Nondurable goods	21,830	21,800	0.1	21,470	1.7
Private service–providing	267,500	267,850	−0.1	262,580	1.9
Trade, transportation, and utilities	67,560	68,030	−0.7	67,170	0.6
Transportation and utilities	9,530	9,600	−0.7	9,570	−0.4
Wholesale trade	20,800	20,790	0.0	20,800	0.0
Retail trade	37,230	37,640	−1.1	36,800	1.2
Information	4,200	4,230	−0.7	4,160	1.0
Financial activities	19,550	19,500	0.3	19,410	0.7
Professional and business services	62,240	63,210	−1.5	60,990	2.0
Educational and health services	65,550	64,810	1.1	62,310	5.2
Leisure and hospitality	31,390	31,050	1.1	31,500	−0.3
Other services	17,010	17,020	−0.1	17,040	−0.2
Government	32,580	33,050	−1.4	33,690	−3.3
Unemployment					
Number unemployed	26,140	26,960	−3.0	32,260	−19.0
Unemployment rate (%)	6.8	7.0		8.4	
Local indexes					
UI initial claims	749	712	5.2	867	−13.6
New dwelling units ^a	989	881	12.3	812	21.8

NOTE: Categories may not sum to total because of rounding.

^a Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and on employment data from the Michigan Department of Energy, Labor, and Economic Growth.

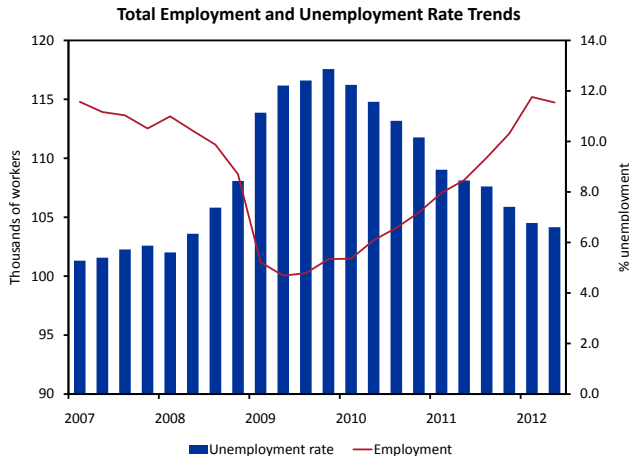
Grand Rapids–Wyoming MSA
Industry Employment Change by Place of Work, Fourth Quarter to Fourth Quarter
(not seasonally adjusted)

Industry	2011 Q4	2010 Q4	Percent change	Industry	2011 Q4	2010 Q4	Percent change
Goods-producing				Health care and social assistance	52,810	50,440	4.7
Food manufacturing	7,020	6,640	5.7	Ambulatory health care services	16,050	15,310	4.8
Chemical manufacturing	4,190	4,000	4.8	Hospitals	21,800	20,450	6.6
Plastics and rubber products mfg.	6,400	5,670	12.9	Arts, entertainment, and recreation	3,950	3,750	5.3
Fabricated metal products mfg.	6,390	6,010	6.3	Accommodation and food services	27,460	26,990	1.7
Machinery manufacturing	8,090	6,980	15.9	Food services and drinking places	25,050	24,730	1.3
Transportation equipment mfg.	9,780	9,160	6.8	Government			
Furniture and related products mfg.	5,740	5,910	−2.9	Federal government	3,240	3,300	−1.8
Private service–providing				State government	3,070	3,140	−2.2
Professional and technical services	14,820	14,320	3.5	Local government	26,280	27,320	−3.8
Administrative and support services	44,220	34,480	28.2				
Educational services	9,220	9,290	−0.8				

SOURCE: Michigan Department of Energy, Labor, and Economic Growth, QCEW/ES-202 data.

Employment Losses in Services Erased Strong Employment Gains in Manufacturing

Total employment in Ottawa County fell by 0.3 percent during the second quarter, a loss of 400 jobs. Employment declines in the county's private services-providing sector and its government sector more than offset reported gains in its robust goods-producing sector. Despite the small overall decline in employment, the area's unemployment rate dropped to 6.6 percent, well below the national average. Unfortunately, the area's economic indicators were negative during the quarter, which suggests that employment conditions may remain soft in the fall.



Employers took a breather during the second quarter. From the second quarter of 2009 to the first quarter of this year, employment increased 15 percent as area employers added more than 15,000 jobs. The area's employment has nearly reached prerecession levels. As a result of this impressive rate of employment growth, the area's unemployment rate has been cut nearly in half, from a high of 12.4 percent to 6.6 percent today.

Except for the trade, transportation, and utilities sector, the area's major economic sectors have bounced back from the recession. Employment levels in its professional and business services sector are now 23 percent higher than they were in 2007, and private education and health care sector employment is 9.0 percent higher. Surprisingly, even with all of the budget cuts in local and state government, government employment is 16 percent higher than its prerecession levels as well. Even the manufacturing sector, which had taken a major beating, losing nearly 10,000 jobs, is climbing back to prerecession levels, having added more than 7,000 jobs during the current expansion.

During the current quarter, employment in the area's goods-producing sector increased 1.3 percent, a gain of nearly 500 jobs. Hiring was reported in both its construction and manufacturing sectors during the quarter.

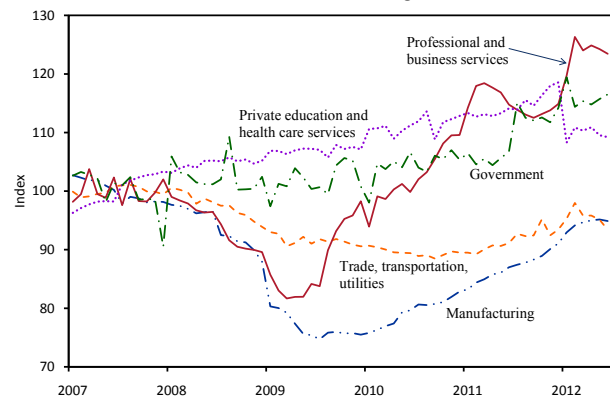
The county's manufacturers have increased their employment levels by a full 10 percent, or more than 3,000 jobs, during the past four quarters. Many of the county's robust employment gains are due to the expanding auto industry. For example, sales at Automatic Spring Products in Grand Haven have

increased by 150 percent over the past three years, and the company has expanded its workforce to 270. Gentex is in the middle of large-scale expansions at several of its facilities in the area.

However, job gains have not been limited to automotive. Energetx Composites announced that it will hire approximately 50 more workers by the end of the year. In addition, Great Lake Woods, a furniture supplier, expects to add 10 new employees to its 100-member workforce. The area's agribusinesses are also expanding. Select Milk Producers is expanding its Continental Dairy milk processing plant in Coopersville. As well, it is reported that both Boar's Head Provisions Company and Request Foods of Holland have added jobs during the past several years.

Employment in the area's services-providing sector fell by 1.3 percent during the quarter. Still, employment in the sector is 3.4 percent higher than a year ago. The quarter's employment declines were reported in leisure and hospitality, retail trade, and financial services. Government employment was down 0.6 percent in the quarter as well.

Five-Year Employment Trend for Select Industries, Indexed to 2007 Average



The area's private services received a welcome boost as Novo 1, a consumer help and call center, announced that it is currently hiring 200 additional workers at its Holland facility, although 70 percent of the jobs will be seasonal.

The Granger Group has announced plans for a \$200 million, 40-acre development in Zeeland Township. The development would house a five-story hotel with an attached conference center and restaurant. Moreover, Lakewood Development Inc. and Lakewood Construction Company are constructing what appears to be the first building built on speculation in the county since the recession. The move was triggered by the fact that many of the existing manufacturing buildings are either full or nearly so.

The area's economic indicators were both negative for the quarter, which suggests that employment conditions could remain soft during the coming months. The number of initial claims for unemployment insurance was up 8.9 percent, and the number of new dwelling units put under contract for construction was off by 3.2 percent.

Holland–Grand Haven MSA
(seasonally adjusted)

Measure	2012 Q2	2012 Q1	% change, Q1 to Q2	2011 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	114,820	115,220	−0.3	108,210	6.1
Goods-producing	37,510	37,030	1.3	34,390	9.1
Construction and mining	3,980	3,890	2.3	3,950	0.8
Manufacturing	33,530	33,140	1.2	30,440	10.2
Private service-providing	59,490	60,260	−1.3	57,550	3.4
Trade, transportation, and utilities	16,840	17,120	−1.6	16,140	4.3
Retail trade	9,600	9,780	−1.8	9,170	4.7
Information	690	690	0.0	690	0.0
Financial activities	3,370	3,440	−2.0	3,210	5.0
Professional and business services	13,770	13,680	0.7	12,910	6.7
Educational and health services	11,420	11,410	0.1	11,780	−3.1
Leisure and hospitality	8,590	9,020	−4.8	8,270	3.9
Other services	4,810	4,900	−1.8	4,550	5.7
Government	17,820	17,930	−0.6	16,270	9.5
Unemployment					
Number unemployed	8,760	8,920	−1.8	10,820	−19.0
Unemployment rate (%)	6.6	6.8		8.5	
Local indexes					
UI initial claims	294	270	8.9	333	−11.7
New dwelling units ^a	509	526	−3.2	368	38.3

NOTE: Categories may not sum to total because of rounding.

^a Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and on employment data from the Michigan Department of Energy, Labor, and Economic Growth.

Holland–Grand Haven MSA
Industry Employment Change by Place of Work, Fourth Quarter to Fourth Quarter
(not seasonally adjusted)

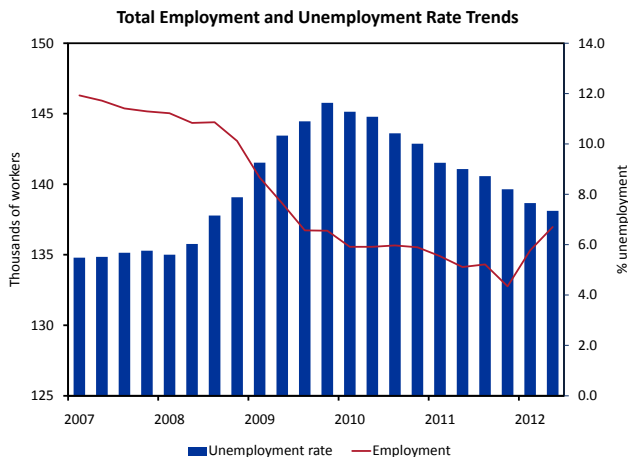
Industry	2011 Q4	2010 Q4	Percent change	Industry	2011 Q4	2010 Q4	Percent change
Goods-producing				Health care and social assistance	9,140	8,750	4.5
Food manufacturing	3,260	3,030	7.6	Ambulatory health care services	3,970	4,050	−2.0
Fabricated metal products mfg.	4,920	4,080	20.6	Arts, entertainment, and recreation	690	700	−1.4
Machinery manufacturing	2,170	2,040	6.4	Accommodation and food services	7,160	6,970	2.7
Transportation equipment mfg.	4,240	3,630	16.8	Food services and drinking places	6,530	6,450	1.2
Furniture and related products mfg.	4,850	4,860	−0.2	Government			
Private service-providing				Federal government	410	420	−2.4
Professional and technical services	3,120	3,140	−0.6	State government	3,060	2,820	8.5
Administrative and support services	8,670	7,760	11.7	Local government	10,350	10,500	−1.4
Educational services	2,080	2,150	−3.3				

SOURCE: Michigan Department of Energy, Labor, and Economic Growth, QCEW/ES-202 data.

Private Employment Posts Strong Employment Numbers

Total employment increased by 1.4 percent in the second quarter, a gain of more than 1,800 jobs. During the past four quarters, employment has grown by 2.4 percent, an increase of more than 3,100 jobs. Despite this growth, only 260 individuals left the unemployment rolls during the quarter, as the area's unemployment rate dipped down to 7.3 percent. The area's economic indicators were mixed, which suggests that further employment gains may be modest in the coming months.

After reaching a high of 11.6 percent in the final quarter of 2009, the area's unemployment rate has been steadily dropping to its current rate of 7.3 percent. The decline in the area's unemployment rate was not supported by job growth, however, until the first quarter of this year. Area employment grew by 5,000 jobs during the first six months of the year, a 3.8 percent increase.



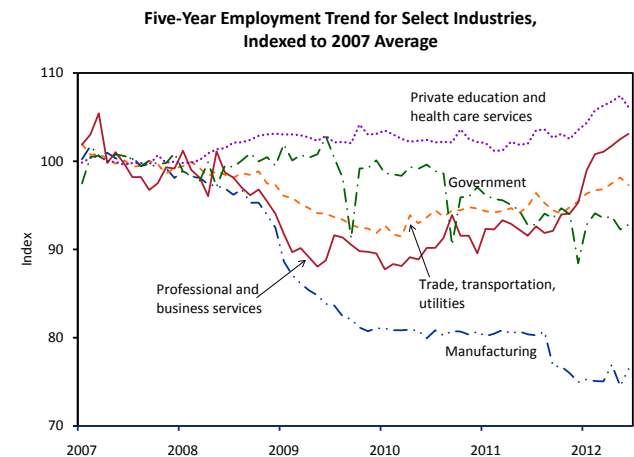
The area's private education and health care services sector and its professional and business services sector have regained all the jobs they lost during the recession. As of the second quarter, employment in education and health care is up 5.0 percent from its 2007 level, and the professional and business services sector is 3.0 percent higher. On the other hand, employment in the area's manufacturing sector is nearly 25 percent below its 2007 level.

Employment in the area's goods-producing sector increased by 1.4 percent because of gains in both its construction sector (which was supported by a solid boost in the number of new housing starts during the quarter) and its manufacturing sector. Both sectors have been struggling for the past several years. During the four quarters ending in June, manufacturing employment fell by 4.1 percent and construction employment dropped by 9.5 percent.

Recent business reports are mixed. International Paper, one of the area's last remaining paper companies, announced that it will close its Kalamazoo plant in mid-September, eliminating 77 jobs. The move was caused by the paper company's recent merger with Temple-Inland, leaving it with excess capacity. On the upside, Bell's Brewery completed a \$20 million expansion of its production facility. The brewery added 38 jobs this year and employs a total of 173 workers.

Finally, Mophie, which designs and manufactures ultra-thin casing for cell phones' rechargeable batteries, plans to build a 30,000-square-foot building this fall in WMU's Business Technology and Research Park. The facility will house the company's North American distribution center and custom and technical support, which is being moved from neighboring Paw Paw.

Employment in the area's private services-providing sector grew by 1.8 percent during the quarter. Strong employment gains were reported in the area's leisure and hospitality sector (a pickup of 630 jobs), in its professional and business services (a gain of 340 jobs), and in its private education and health services (an increase of 280 jobs). Combined, these three sectors have added 3,000 jobs during the past four quarters. Smaller gains were reported by the area's retailers, wholesalers, and financial service providers, as well.



Government was the only sector that posted an employment decline during the quarter, a loss of 260 jobs resulting in a drop of 0.6 percent. However, the area did get a bit of good news as the area's U.S. Postal Service mail processing plant, which employs 220 workers, has been spared from the Postal Service's first round of closures nationwide. Unfortunately, the plant is on the list to fall victim in the second phase of closures, which is scheduled to take place in January 2014.

Finally, two promising announcements were made in the second quarter. First, developers revealed their plans to construct a new \$12 million hotel, restaurant, and office complex to be located near the interchange of I-94 and Westnedge Avenue. Second, the Michigan Blueberry Growers Association announced that it will construct a \$10-to-\$20-million blueberry processing facility in South Haven that will serve a multistate region.

The area's economic indicators were mixed during the quarter, suggesting that employment trends may slow in the coming months. The number of new claims for unemployment insurance increased a slight 2.8 percent. On the other hand, the number of new dwelling units put under contract for construction shot up by 60.2 percent during the quarter.

Kalamazoo-Portage MSA
(seasonally adjusted)

Measure	2012 Q2	2012 Q1	% change, Q1 to Q2	2011 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	137,080	135,220	1.4	133,930	2.4
Goods-producing	21,270	20,970	1.4	22,430	-5.2
Construction and mining	4,110	3,980	3.3	4,540	-9.5
Manufacturing	17,160	16,990	1.0	17,890	-4.1
Durable goods	9,590	9,450	1.5	9,680	-0.9
Nondurable goods	7,570	7,540	0.4	8,210	-7.8
Private service-providing	94,190	92,500	1.8	89,610	5.1
Trade, transportation, and utilities	24,240	24,020	0.9	23,480	3.2
Transportation and utilities	3,470	3,470	0.0	3,470	0.0
Wholesale trade	5,820	5,780	0.7	5,520	5.4
Retail trade	14,950	14,770	1.2	14,490	3.2
Information	1,110	1,110	0.0	1,110	0.0
Financial activities	8,150	8,030	1.5	7,810	4.4
Professional and business services	16,020	15,680	2.2	14,420	11.1
Educational and health services	23,230	22,950	1.2	22,200	4.6
Leisure and hospitality	14,600	13,970	4.5	14,180	3.0
Other services	6,840	6,740	1.5	6,410	6.7
Government	21,620	21,750	-0.6	21,890	-1.2
Unemployment					
Number unemployed	12,010	12,270	-2.1	14,450	-16.9
Unemployment rate (%)	7.3	7.6		9.0	
Local indexes					
UI initial claims	253	246	2.8	296	-14.5
New dwelling units ^a	346	216	60.2	251	37.8

NOTE: Categories may not sum to total because of rounding.

^aSeasonally adjusted annual rates; does not include Van Buren County dwelling permit data.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and on employment data from the Michigan Department of Energy, Labor, and Economic Growth.

Kalamazoo-Portage MSA
Industry Employment Change by Place of Work, Fourth Quarter to Fourth Quarter
(not seasonally adjusted)

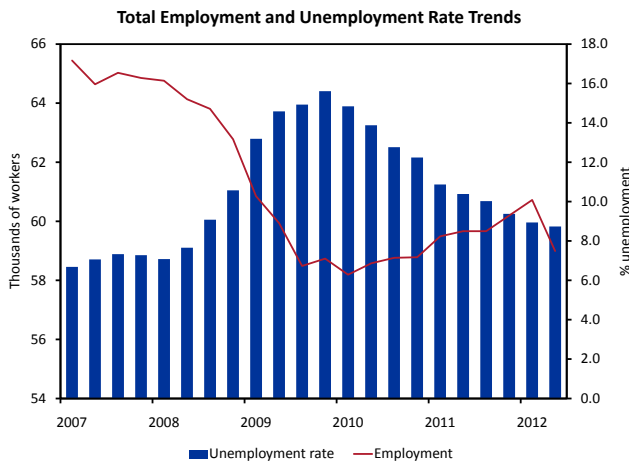
Industry	2011 Q4	2010 Q4	Percent change	Industry	2011 Q4	2010 Q4	Percent change
Goods-producing				Health care and social assistance	19,210	19,130	0.4
Food manufacturing	1,430	1,610	-11.2	Ambulatory health care services	6,390	6,640	-3.8
Paper manufacturing	1,800	1,840	-2.2	Hospitals	6,620	6,560	0.9
Fabricated metal products mfg.	1,830	1,780	2.8	Arts, entertainment, and recreation	1,350	1,590	-15.1
Machinery manufacturing	2,080	1,920	8.3	Accommodation and food services	12,470	12,820	-2.7
Transportation equipment mfg.	1,830	1,940	-5.7	Food services and drinking places	10,920	11,240	-2.8
Private service-providing				Government			
Professional and technical services	5,060	5,120	-1.2	Federal Government	990	1,040	-4.8
Administrative and support services	8,210	7,300	12.5	State Government	4,080	4,360	-6.4
Educational services	2,390	2,400	-0.4	Local Government	13,190	13,620	-3.2

SOURCE: Michigan Department of Energy, Labor, and Economic Growth, QCEW/ES-202 data.

MUSKEGON-NORTON SHORES MSA

Seasonal Factors Drive the Area into Negative Territory

Seasonally adjusted employment in Muskegon County fell by a surprising 2.5 percent during the second quarter, a loss of more than 1,500 jobs. However, all of this estimated job loss is due to seasonal factors. In fact, the county's seasonally unadjusted employment grew by 0.3 percent, a gain of 200 jobs, during the quarter. In other words, the county's job losses reflect the fact that the area's second-quarter employment growth was much smaller than normal. A likely reason is that the region's unusually warm March enabled some tourist-related businesses to start hiring earlier than normal, which pushed up first-quarter employment but depressed the second-quarter estimates. Despite the major reduction in employment during the quarter, the area's unemployment rate inched down to 8.7 percent. The area's economic indicators were mixed during the quarter.



The second-quarter drop in seasonally adjusted employment clearly halts a sustained trend of employment gains that started in the first quarter of 2010. Moreover, the rate of decline in the area's unemployment also slowed during the quarter.

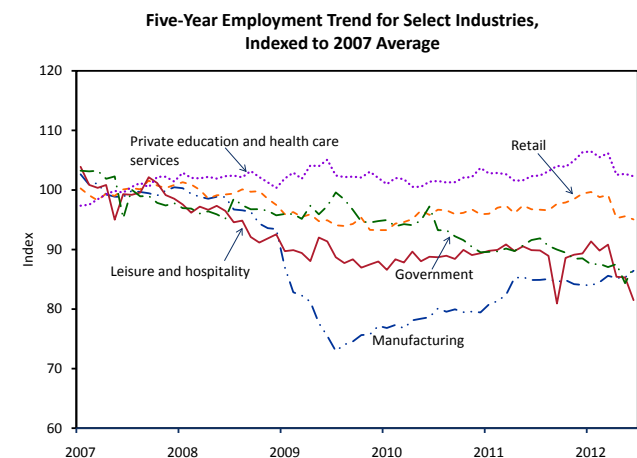
Employment trends in the area's manufacturing sector have been positive since the second quarter of 2009. Moreover, trends in many of the area's major industries were stable or improving as well until the second quarter of this year, when employment in the retail, education and health care services, and leisure and hospitality sectors turned south. Because of the seasonally adjusted drop in employment during the second quarter, employment in leisure and hospitality is nearly 20 percent below its 1997 levels. Government is the only sector that has suffered a continuous decline in employment since 2007; its employment level has declined by 13 percent since that year.

During the second quarter, employment in the county's goods-producing sector increased by a healthy 1.7 percent because of job gains reported in both its manufacturing and construction firms. Manufacturing employment increased by 1.2 percent during the quarter, and the latest business announcements have been mostly positive. Scherdel Sales and Technology, a German-based automotive supplier, and Acemco, another area automotive parts supplier, are hiring 20 additional workers each. Finally, Muskegon Castings Corporation is creating 55

new jobs. The company manufactures aluminum and zinc die castings, plastic injection moldings, and other products.

As mentioned above, employment in the area's private services-providing sectors dropped significantly in the second quarter because of seasonal factors. In the area's leisure and hospitality sector, unadjusted employment increased by 600 jobs during the quarter; however, in a typical season, the sector's employment is expected to increase by nearly 1,100 jobs; therefore, seasonally adjusted employment fell by more than 500 jobs.

The quarter's slowdown also negatively affected nonseasonal industries as well. Employment in the area's education and health services sector fell by 400 workers, regardless of whether it was seasonally adjusted.



Government employment was down 1.3 percent during the quarter and has fallen by nearly 5.0 percent during the past four quarters. The scheduled reopening of the Muskegon Correctional Facility at the beginning of October could mean the return of at least 200 jobs to the Muskegon area. In addition, the West Shoreline Correctional Facility, located in Muskegon Heights, is expected to remain open.

Finally, three large developments have been announced in the area, which could generate substantial economic impacts. Two are in downtown Muskegon. Urban Renaissance, a private developer, announced plans to construct the Shoreline Market, a \$12 million, 86,000-square-foot mixed-use development, including specialty retailers, 12 two-story townhouses, and two office/retail buildings. Second, the former Comerica Bank tower is being converted to 48 apartments. The \$10.8 million project will take 18 months to complete. Finally, Gamesa Energy USA is constructing a 150-megawatt wind farm on the county's 11,000-acre wastewater site. The site will contain between 30 and 75 wind turbines.

The quarter's economic indicators were mixed: the number of new claims for unemployment insurance dropped by 12 percent, which suggests that employment conditions could improve in the coming months; however, the number of housing starts fell by 6.5 percent.

Muskegon–Norton Shores MSA
(seasonally adjusted)

Measure	2012 Q2	2012 Q1	% change, Q1 to Q2	2011 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	59,040	60,580	–2.5	59,850	–1.4
Goods-producing	12,530	12,320	1.7	12,520	0.1
Construction and mining	1,580	1,500	5.3	1,640	–3.7
Manufacturing	10,950	10,820	1.2	10,880	0.6
Private service–providing	38,620	40,270	–4.1	39,040	–1.1
Trade, transportation, and utilities	13,220	13,730	–3.7	13,310	–0.7
Retail trade	10,750	11,190	–3.9	10,910	–1.5
Information	810	800	1.3	810	0.0
Financial activities	1,800	1,860	–3.2	1,800	0.0
Professional and business services	3,060	3,150	–2.9	3,030	1.0
Educational and health services	11,210	11,590	–3.3	11,130	0.7
Leisure and hospitality	6,100	6,580	–7.3	6,540	–6.7
Other services	2,420	2,560	–5.5	2,420	0.0
Government	7,890	7,990	–1.3	8,290	–4.8
Unemployment					
Number unemployed	7,210	7,420	–2.8	8,510	–15.3
Unemployment rate (%)	8.7	8.9		10.4	
Local indexes					
UI initial claims	243	276	–12.0	314	–22.6
New dwelling units ^a	100	107	–6.5	54	85.2

NOTE: Categories may not sum to total because of rounding.

^a Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and on employment data from the Michigan Department of Energy, Labor, and Economic Growth.

Muskegon–Norton Shores MSA
Industry Employment Change by Place of Work, Fourth Quarter to Fourth Quarter
(not seasonally adjusted)

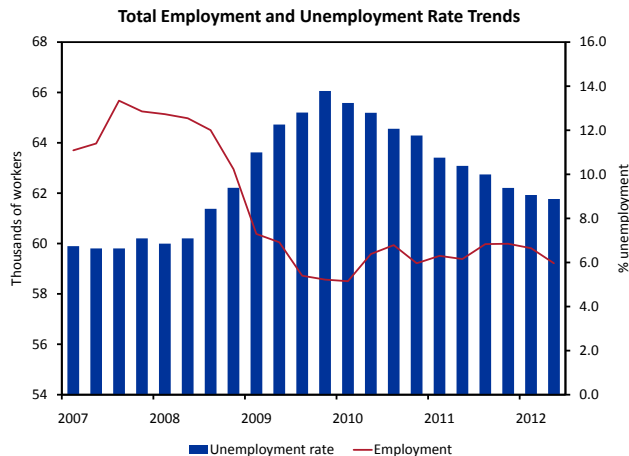
Industry	2011 Q4	2010 Q4	Percent change	Industry	2011 Q4	2010 Q4	Percent change
Goods-producing				Health care and social assistance	9,960	9,750	2.2
Primary metal manufacturing	3,740	3,480	7.5	Ambulatory health care services	3,210	3,190	0.6
Fabricated metal products mfg.	2,490	2,230	11.7	Arts, entertainment, and recreation	770	740	4.1
Machinery manufacturing	1,250	1,220	2.5	Accommodation and food services	5,120	5,090	0.6
Transportation equipment mfg.	970	790	22.8	Food services and drinking places	4,790	4,790	0.0
Private service–producing				Government			
Professional and technical services	910	940	–3.2	Federal government	330	340	–2.9
Administrative and support services	1,800	1,520	18.4	State government	900	1,080	–16.7
Educational services	860	1,130	–23.9	Local government	6,790	6,980	–2.7

SOURCE: Michigan Department of Energy, Labor, and Economic Growth, QCEW/ES-202 data.

Employment Losses in Services Swamp Gains in Manufacturing

Total employment fell by 1.0 percent during the second quarter in Berrien County, a loss of 600 jobs. Job declines were concentrated in the county's private service-providing sector and in government. Still, the area's unemployment rate slipped below 9.0 percent during the quarter. The area's economic indicators were mixed, suggesting that employment conditions will remain sluggish during the next several months.

While the area's unemployment rate continues to fall from its 13.8 percent peak, which occurred in the last quarter of 2009, the rate of its decline has slowed. In part, this reflects the area's stagnant employment situation. During the past four quarters, total employment in Berrien County has inched down by 0.2 percent, the result of a modest loss of 130 jobs. The fact that the county's unemployment rate fell from 10.4 percent to 8.9 percent during the same time period indicates that the area's unemployed workers are either finding work outside the county or have given up looking.



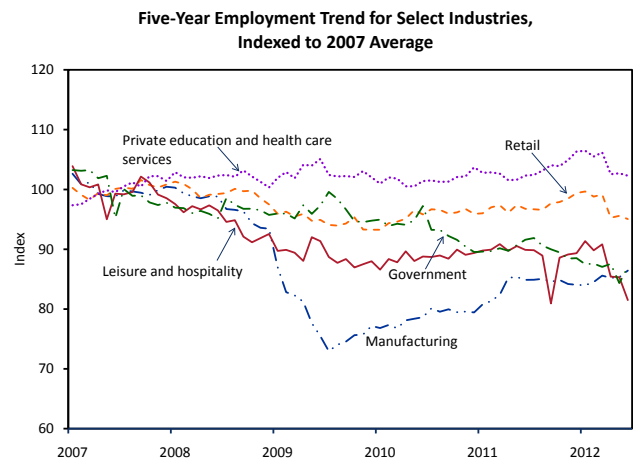
Employment levels in the area's major industry sectors have been volatile during the past several years, especially in private education and health care services and in professional and business services; however, none of the sectors has established any long-term growth trends. Only employment in the area's private education and health care sector is clearly above its 2007 level, having increased by 5.0 percent. Unfortunately, the area's manufacturers have not experienced the bump from the auto industry's recovery that has been enjoyed by other manufacturers across the state.

During the second quarter of the year, employment in the area's goods-producing sectors increased by 0.7 percent because of gains in both its manufacturing and construction sectors that totaled a pickup of nearly 100 jobs. The reported employment gain in construction is consistent with the substantial rise in the number of new dwelling units put under contract for construction during the quarter, an 83.7 percent increase.

Harbor Shores announced that it will start construction in the fall on a \$114 million Harbor Village development in St. Joseph, which will include a 70-room hotel, a marina, 88 condominiums, and a 60-cottage residential development. In

all, seven multistory buildings will be constructed around the 120-slip marina. Construction on the hotel is scheduled to begin this coming winter; the hotel will open in the spring of 2014.

During the quarter, manufacturing employment increased by 0.6 percent for a gain of 70 jobs; however, factory employment is still down 0.3 percent from last year. Whirlpool announced that its Refrigeration Product Development Center is being relocated from Evansville, Indiana, to Benton Harbor, bringing 180 highly skilled research and development positions to the community by 2014. The move is part of Whirlpool's decision to centralize its engineering and design functions near its global headquarters in Benton Harbor. Hanson Mold, an auto supplier, is expanding, although the impact of the expansion will be modest in terms of employment. What is unique is that Hanson Mold credits its expansion, in part, to its being a member of the Berrien Tooling Coalition, which consists of 19 tool-and-die shops in southwest Michigan. Members share equipment and workloads.



Unfortunately, employment in the county's private service-providing sector fell by 1.7 percent during the quarter, for a loss of 650 jobs. Still, employment in the sector is up by 0.5 percent over the second quarter. The quarterly job loss was concentrated in the area's leisure and hospitality sector and in logistics (transportation and wholesale); the two sectors lost 400 jobs each. Surprisingly, the well-attended 2012 Senior PGA Championship, held at the Golf Club at Harbor Shores in May, did not cause a noticeable bump in the area's tourism industry employment numbers for the quarter. Retail employment was flat during the quarter as well.

Finally, government employment in the county fell by 0.6 percent during the quarter and by 2.0 percent for the year. The economic indicators for the county were mixed during the quarter, which suggests that current sluggish employment conditions could remain in place for the coming months. The number of new claims for unemployment insurance was up 5.6 percent for the quarter; however, the number of dwelling units put under contract for construction, as mentioned earlier, shot up by 83.7 percent.

Niles–Benton Harbor MSA
(seasonally adjusted)

Measure	2012 Q2	2012 Q1	% change, Q1 to Q2	2011 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	59,200	59,810	−1.0	59,330	−0.2
Goods-producing	13,360	13,270	0.7	13,490	−1.0
Construction and mining	1,620	1,600	1.3	1,720	−5.8
Manufacturing	11,740	11,670	0.6	11,770	−0.3
Private service-providing	37,490	38,140	−1.7	37,320	0.5
Trade, transportation, and utilities	10,220	10,620	−3.8	10,820	−5.5
Retail trade	6,880	6,890	−0.1	6,850	0.4
Information	510	500	2.0	570	−10.5
Financial activities	2,390	2,340	2.1	2,390	0.0
Professional and business services	5,780	5,820	−0.7	5,680	1.8
Educational and health services	10,300	10,180	1.2	9,410	9.5
Leisure and hospitality	5,730	6,130	−6.5	5,850	−2.1
Other services	2,560	2,550	0.4	2,600	−1.5
Government	8,350	8,400	−0.6	8,520	−2.0
Unemployment					
Number unemployed	6,480	6,600	−1.8	7,580	−14.5
Unemployment rate (%)	8.9	9.1		10.4	
Local indexes					
UI initial claims	188	178	5.6	212	−11.3
New dwelling units ^a	79	43	83.7	53	49.1

NOTE: Categories may not sum to total because of rounding.

^a Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and on employment data from the Michigan Department of Energy, Labor, and Economic Growth.

Niles–Benton Harbor MSA
Industry Employment Change by Place of Work, Fourth Quarter to Fourth Quarter
(not seasonally adjusted)

Industry	2011 Q4	2010 Q4	Percent change	Industry	2011 Q4	2010 Q4	Percent change
Goods-producing				Health care and social assistance	7,850	7,570	3.7
Primary metal manufacturing	990	940	5.3	Ambulatory health care services	2,320	2,340	−0.9
Fabricated metal products mfg.	1,760	1,560	12.8	Arts, entertainment, and recreation	590	670	−11.9
Machinery manufacturing	1,580	1,500	5.3	Accommodation and food services	4,810	5,050	−4.8
Transportation equipment mfg.	990	1,020	−2.9	Food services and drinking places	4,260	4,470	−4.7
Private service-providing				Government			
Professional and technical services	1,550	1,410	9.9	Federal government	320	340	−5.9
Administrative and support services	4,700	5,070	−7.3	State government	370	390	−5.1
Educational services	1,430	1,300	10.0	Local government	8,110	7,970	1.8

SOURCE: Michigan Department of Energy, Labor, and Economic Growth, QCEW/ES-202 data.

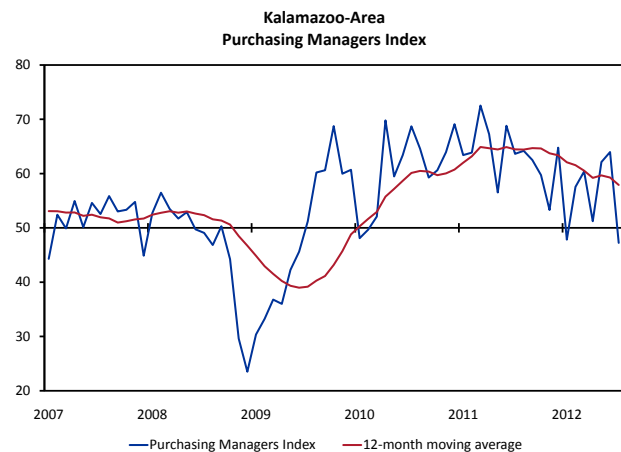
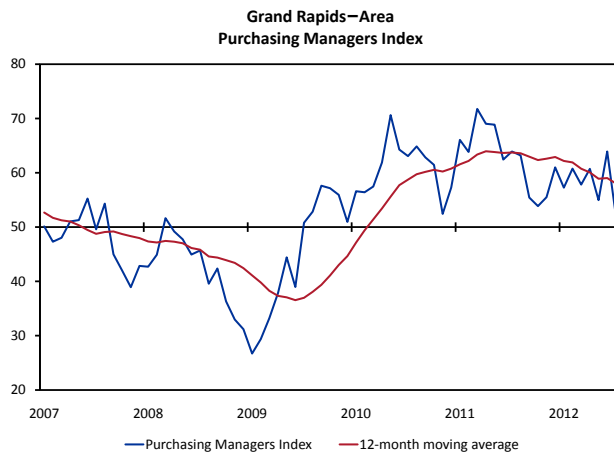
PURCHASING MANAGERS INDEX

The latest polling of purchasing managers in the Grand Rapids and Kalamazoo areas indicates that growth in both areas is slowing down. Brian Long, director of Supply Chain Management Research at Grand Valley State University, summarized the August findings of his surveys as being “slightly negative” in Grand Rapids and “down slightly” in Kalamazoo. He also noted that surveyed auto suppliers were “not sailing as high” as they had been before.

The Grand Rapids area is still above 50, the mark that divides a predominantly positive outlook from a predominantly

negative one; however, the index fell from 63.9 in June to 52.0 in July. Surveyed purchasing managers, on average, reported substantial drops in sales and production for the month; however, some commented that they are still very busy.

The Index fell below 50 in the Kalamazoo area for the second time in the year. The decline was caused by across-the-board declines in the eight factors that make up the index. While the Kalamazoo index is highly volatile, the trend line, which is a 12-month moving average, clearly shows a downward trend.



MAJOR ECONOMIC DEVELOPMENTS

Battle Creek MSA

Janesville Acoustics, a Southfield-based manufacturer of acoustical products for autos, announced that it is moving one of its production operations to Battle Creek, bringing 225 jobs to the area.

Musashi Auto Parts plans to hire up to 70 workers upon the completion of its new 40,000-square-foot facility.

Grand Rapids—Wyoming MSA

Plasan Carbon Composites, an auto supplier, plans to hire 200 workers in the coming year.

Amway announced plans to add 200 new jobs over the next three years because of the construction of a new manufacturing facility.

Center Manufacturing, which builds components for Honda Power Sports, announced that it plans to hire 100 new workers in the next two years.

MedDirect, a patient customer service company, is opening a new facility and will create up to 300 new jobs over the next three years.

Holland—Grand Haven MSA

Automatic Spring Products in Grand Haven has increased its workforce by 150 percent over the past three years.

Gentex is in the middle of large-scale expansions at several of its facilities in the area.

Energetx Composites announced that it will hire

approximately 50 more workers by the end of the year.

Kalamazoo-Portage MSA

International Paper Company announced that it will close its Kalamazoo plant in mid-September, eliminating 77 jobs.

Bell's Brewery completed a \$20 million expansion to its production facility and has added 38 jobs this year.

Muskegon—Norton Shores MSA

Muskegon Castings is creating 55 new jobs. Fortu PowerCell is postponing the construction of its proposed plant in Muskegon.

The Muskegon Correctional Facility is to be reopened in the fall and employ 200. In downtown Muskegon, Urban Renaissance announced plans to construct the Shoreline Market, a \$12 million, 86,000-square-foot mixed-use development.

Niles—Benton Harbor MSA

Harbor Shores announced that it will start construction in the fall on a \$114 million Harbor Village development in St. Joseph that will include a 70-room hotel, a marina, 88 condominiums, and a 60-cottage residential development.

Whirlpool announced that it is relocating its Refrigeration Product Development Center from Evansville, Indiana, to this area, bringing in 180 high-skilled research and development positions by 2014.

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